Rate Schedule SLIP-F9
(Supersedes Schedule SLIP-F8)

UNITED STATES DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

SALT LAKE CITY AREA INTEGRATED PROJECTS
ARIZONA, COLORADO, NEVADA, NEW MEXICO, UTAH, WYOMING

SCHEDULE OF RATES FOR FIRM POWER SERVICE

Effective:

The first step of the stepped rate will be effective on the first day of the first full billing period beginning on or after October 1, 2008; the second step will be effective on the first day of the first full billing period on or after October 1, 2009, extending through September 30, 2013, or until superseded by another rate schedule, whichever occurs earlier.

Available:

In the area served by the Salt Lake City Area Integrated Projects.

Applicable:

To the wholesale power customer for firm power service supplied through one meter at one point of delivery, or as otherwise established by contract.

Character:

Alternating current, 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

Monthly Rate:

First step, effective October 1, 2008:

DEMAND CHARGE: $4.70/kilowatt of billing demand.

ENERGY CHARGE: 11.06 mills/kilowatthour of use.

Second step, effective October 1, 2009, and not to exceed the following:

DEMAND CHARGE: $5.22/kilowatt of billing demand.

ENERGY CHARGE: 12.29 mills/kilowatthour of use.

COST RECOVERY CHARGE: This charge will be recalculated annually before May 1, and Western will provide notification to the customers. The charge, if needed, will be placed into effect from October 1 through September 30. If triggered by the Shortage Criteria, the CRC will be re-calculated at that time and may be implemented at any time of the year upon 45-day notice to customers. (See Shortage Criteria Trigger explanation below.) The CRC will be calculated as follows:

CRC CALCULATION			
		Description	**Formula**
STEP ONE	**Determine the Net Balance available in the Basin Fund.**		
	BFBB	Basin Fund Beginning Balance ($)	Financial forecast
	BFTB	Basin Fund Target Balance ($)	.15 * PAE (not less than $20 million)
	PAR	Projected Annual Revenue ($) w/o CRC	Financial forecast
	PAE	Projected Annual Expense ($)	Financial forecast
	NR	Net Revenue ($)	PAR - PAE
	NB	Net Balance ($)	BFBB + NR
STEP TWO	**Determine the Forecasted Energy Purchased Expenses.**		
	EA	SHP Energy Allocation (GWh)	Customer contracts
	HE	Forecasted Hydro Energy (GWh)	Hydrologic & generation forecast
	FE	Forecasted Energy Purchased (GWh)	EA - HE
	FFC	Forecasted Avg Energy Price per MWh($)	From commercially available price indices
	FX	Forecasted Energy Purchased Expense ($)	FE * FFC
STEP THREE	**Determine the amount of Funds Available for firming energy purchases, and then determine additional revenue to be recovered. The following two formulas will be used to determine FA, the lesser of the two will be used.**		
	FA1	Basin Fund Balance Factor ($)	If (NB>BFBB,FX,FX -(BFTB - NB))
	FA2	Revenue Factor ($)	If (NR>-.25*BFBB,FX,FX+NR+.25*BFBB)
	FA	Funds Available ($)	Lesser of FA1 or FA2 (not less than $0)
	FARR	Additional Revenue to be Recovered ($)	FX - FA
STEP FOUR	**Once the FA for purchases has been determined, the CRC can be calculated, and the WL can be determined.**		
	WL	Waiver Level (GWh)	If (EA<HE,EA,HE+(FE*(FA/FX))), but not less than HE
	WLP	Waiver Level Percentage of Full SHP	WL/EA*100
	CRCE	CRC Energy (GWh)	EA - WL
	CRCEP	CRC Energy Percentage of Full SHP	CRCE/EA*100
	CRC	Cost Recovery Charge (mills/kWh)	FARR/(EA*1,000)

Narrative CRC Example

STEP ONE: Determine the net balance available in the Basin Fund.

BFBB – Western will forecast the Basin Fund Beginning Balance for the next FY.

BFTB – Determine the Basin Fund Target Balance for the next FY. The BFTB will not be less than $20 million. The target is 15 percent of projected annual expenses for the coming FY. **BFTB=0.15*PAE**

PAR – Projected Annual Revenue is Western's estimate of revenue for the next FY.

PAE – Projected Annual Expenses is Western's estimate of expenses for the next FY. The PAE includes all expenses plus non-reimbursable expenses, which are capped at $27 million per year plus an inflation factor. This limitation is for CRC formula calculation purposes only, and is not a cap on actual non-reimbursable expenses.

NR – Net Revenue equals revenues minus expenses. **NR=PAR-PAW**

NB – Net Balance is the Basin Fund Beginning Balance plus net revenue. **NB=BFBB+NR**

STEP TWO: Determine the forecasted energy purchased expenses.

EA – The Sustainable Hydropower Energy Allocation. This does not include Project Use customers.

HE – Western's forecast of Hydro Energy available during the next FY developed from Reclamation's April, 24-month, study.

FE – Forecasted Energy purchases are the difference between the sustainable hydropower allocation and the forecasted hydro energy available for the next FY, or the anticipated firming purchases for the next year. **FE=EA-HE**

FFC - The forecasted energy price for the next FY per MWh.

FX – Forecasted energy purchased power expenses based on the current year April 24-month study, representing an estimate of the total costs of firming purchases for the coming FY. **FX=FE*FFC**

STEP THREE: Determine the amount of Funds Available (FA) to expend on firming energy purchases, and then determine additional revenue to be recovered (FARR). The following two formulas will be used to determine FA; the lesser of the two will be used. Funds available shall not be less than zero.

A. Basin Fund Balance Factor (FA1)

The first factor ensures that the Net Balance will not go below 15 percent of the total expenses for that FY. If the Net Balance is greater than the Basin Fund Target Balance, then use the value for forecasted energy purchased power expenses. If the net balance is less than the Basin Fund Target Balance, then reduce the value of the Forecasted Energy Purchased Power Expenses by the difference between the Basin Fund Target Balance and the Net Balance.

FA1=if (NB>BFTB,FX,FX-(BFTB-NB))

If the Net Balance is greater than the Basin Fund Target Balance, then **FA1=FX**.

If the Net Balance is less than the Basin Fund Target Balance, then **FA1=FX-(BFTB-NB)**.

B. Basin Fund Revenue Factor (FA2)

The second factor ensures that the net revenue does not result in a loss that exceeds 25 percent of the Basin Fund Beginning Balance. If the Net Revenue is greater than a minus 25 percent of the Basin Fund Beginning Balance, then use the value for forecasted energy purchased power expenses. If the Net Revenue is less than a minus 25 percent of the Basin Fund Beginning Balance, then add the Net Revenue; and 25 percent of the Basin Fund Beginning Balance to the forecasted energy purchased power expenses.

FA2=If (NR>-0.25*BFBB,FX,FX+NR+0.25*BFBB)

If the Net Revenue does not result in a loss that exceeds 25 percent of the Basin Fund Beginning Balance, then **FA2=FX.**

If the Net Revenue results in a loss that exceeds 25 percent of the Basin Fund Beginning Balance, then **FA2+FX+NR+0.25*BFBB.**

FA – Determine the funds available for purchasing firming energy by using the lesser of FA1 and FA2.

FARR – Calculate the additional revenue to be recovered by subtracting the Funds Available from the forecasted energy purchased power expenses. **FARR=FX-FA**

STEP FOUR: Once the funds available for purchases have been determined, the CRC can be calculated and the Waiver Level (WL) can be determined.

A. Cost Recovery Charge: The CRC will be a charge to recover the additional revenue required as calculated in Step 3. The CRC will apply to all customers who choose not to request a waiver of the CRC, as discussed below. The CRC equals the additional revenue to be recovered divided by the total energy allocation to all customers for the FY.

CRC=FARR/(EA*1,000)

B. Waiver Level:

Western established an energy WL that provides customers the ability to reduce their purchased power expenses by scheduling less energy than their contractual amounts. Therefore, Western will establish an energy WL. For those customers who voluntarily schedule no more energy than their proportionate share of the WL, Western will waive the CRC for that year.

After the Funds Available have been determined, the WL will be set at the sum of the energy that can be provided through hydro generation and purchased with Funds Available. The WL will not be less than the forecasted Hydro Energy.

WL=If (EA<HE, EA, HE +(FA/FX))

If SHP Energy Allocation is less than forecasted Hydro Energy available, then **WL=EA.**

If SHP Energy Allocation is greater than forecasted Hydro Energy available, then **WL=HE+(FE*(FA/FX))**.

PRIOR YEAR ADJUSTMENT: The CRC PYA for subsequent years will be determined by comparing the prior year's estimated firming-energy cost to the prior year's actual firming-energy cost for the energy provided above the WL. The PYA will result in an increase or decrease to a customer's firm energy costs over the course of the following year. The following table is the calculation of a PYA.

PYA CALCULATION			
		Description	**Formula**
STEP ONE	**Determine actual expenses and purchases for previous year's firming. This data will be obtained from Western's financial statements at the end of the FY.**		
	PFX	Prior Year Actual Firming Expenses ($)	Financial Statements
	PFE	Prior Year Actual Firming Energy (GWh)	Financial Statements
STEP TWO	**Determine the actual firming cost for the CRC portion.**		
	EAC	Sum of the energy allocations of customers subject to the PYA (GWh)	
	FFC	Forecasted Firming Energy Cost – ($/MWh)	From CRC Calculation
	AFC	Actual Firming Energy Cost – ($/MWh)	PFX/PFE
	CRCEP	CRC Energy Percentage	From CRC Calculation
	CRCE	Purchased Energy for the CRC (GWh)	EAC*CRCEP
STEP THREE	**Determine Revenue Adjustment (RA) and PYA.**		
	RA	Revenue Adjustment ($)	(AFC-FFC)*CRCE*1,000
	PYA	**Prior Year Adjustment (mills/kWh)**	(RA/EAC)/1,000

Narrative PYA Calculation

STEP ONE: Determine actual expenses and purchases for previous year's firming. This data will be obtained from Western's financial statements at the end of the FY.

PFX - Prior year actual firming expense

PFE - Prior year actual firming energy

STEP TWO: Determine the actual firming cost for the CRC portion.

EAC - Sum of the energy allocations of customers subject to the PYA

CRCE - The amount of CRC Energy needed

AFC - The Actual Firming Energy Cost is the PFX divided by the PFE

AFC=(PFX/PFE)/1,000

STEP THREE: Determine Revenue Adjustment (RA) and Prior Year Adjustment (PYA).

RA - The Revenue Adjustment is AFC less FFC times CRCE.

RA=(AFC-FFC)*CRCE)*1,000

PYA = The PYA is the RA divided by the EAC for the CRC customers only.

PYA=(RA/EAC)/1,000

The customer's PYA will be based on their prior year's energy multiplied by the resulting mills/kWh to determine the dollar amount that will be assessed. The customers will be charged or credited for this dollar amount equally in the remaining months of the next year's billing cycle. Western will attempt to complete this calculation by December of every year. Therefore, if the PYA is calculated in December, the charge/credit will be spread over the remaining 9 months of the FY (January through September).

Shortage Criteria Trigger:

In the event that Reclamation's 24-month study projects that Glen Canyon Dam water releases will drop below 8.23 MAF in a water year (October through September), Western will recalculate the CRC to include those lower estimates of hydropower generation and the estimated costs for the additional purchased power necessary to meet contractual requirements. Western, as in the yearly projection for the CRC, will give the customers a 45-day notice to request a waiver of the CRC, if they do not want to have the CRC charge added to their energy bill. This recalculated CRC will remain in effect for the remainder of the current FY.

In the event that Glen Canyon Dam water releases return to 8.23 MAF or higher level during the trigger implementation, the CRC will be recalculated and the customer will be notified.

Billing Demand:

The billing demand will be the greater of:

1. The highest 30-minute integrated demand measured during the month up to, but not more than, the delivery obligation under the power sales contract, or
2. The Contract Rate of Delivery.

Billing Energy:

The billing energy will be the energy measured during the month up to, but not more than, the delivery obligation under the power sales contract.

Adjustment for Waiver:

Customers may choose to take a reduced SHP energy allocation as determined in the attached formulas for the CRC, and they will be billed the Energy and Capacity rates listed above, but not the CRC.

Adjustment for Transformer Losses:

If delivery is made at transmission voltage but metered on the low-voltage side of the substation, the meter readings will be increased to compensate for transformer losses as provided in the contract.

Adjustment for Power Factor:

The customer will be required to maintain a power factor at all points of measurement between 95 percent lagging and 95 percent leading.

Adjustment for Western Replacement Power:

Pursuant to the Contractor's Firm Electric Service Contract, as amended, Western will bill the Contractor for its proportionate share of the costs of Western Replacement Power (WRP) within a given time period. Western will include in the Contractor's monthly power bill the cost of the WRP and the incremental administrative costs associated with WRP.

Adjustment for Customer Displacement Power Administrative Charges:

Western will include in the Contractor's regular monthly power bill the incremental administrative costs associated with Customer Displacement Power.